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Explanatory Notes

The purpose of the public meeting is to discuss the single agenda item, being the proposed sale of Aldersey Grove Estate (AGE).

Two offers have been received which are either above or at book value.

Due to confidentiality clauses the Board of Management cannot disclose certain information including offer values, and the parties who have made offers.

In order for the members to make an informed decision regarding the proposed resolution to allow the Board of Management to negotiate the sale of AGE, we will outline a number of important points for consideration.

Benefits of selling

The Board of Management believes the sale of AGE to a party who is in the business of providing retirement villages will offer benefits to the residents of AGE including:

- A new owner who is a specialist in the operation of retirement villages will be in a position to ensure the best outcomes for village residents.
- Residents may have the benefit of receiving the shared community space that is required under recent legislative changes.
- A new owner who is a specialist in the the operation of retirement villages will be up to date on the legislative requirements of running a retirement village.
- There are potential synergies and benefits if a new owner is already involved in the retirement village and aged care environment.

Benefits to the Hospital

In the event of the sale of AGE, the resultant funds will provide a financial safety net for the hospital. This will enable the appropriate infrastructure upgrades required to expand service offerings or to upgrade the aging hospital buildings. The funds will not be used for general operating expenses. While the State Government has recently allocated \$500,000 to the

hospital to fund infrastructure upgrades, there are currently no funds held or allocated to fund significant, non recurring maintenance costs on the hospital's existing valuable, but aging, infrastructure.

- Additional funds may enable the hospital to increase and broaden services that the hospital provides to the community; and
- Provide the ability to hold funds as a sinking fund in the event of a major repair or replacement to infrastructure i.e. roof. Currently no reserves are held for such matters;
- Allow hospital staff and management to focus on core business activities;
- Reduce the risk of the hospital not complying with the changing legislative requirements surrounding retirement villages; and
- Reduce the day to day cashflow risk on the hospital in the unforeseen event that an AGE unit is vacated by a resident moving to an aged care facility, and becoming entitled to a lump sum or day payment support.

If the resolution is not supported by members, the resultant risks to the hospital include:

- Financial/economic impact to day to day cashflow and hence the ability for the hospital to operate in the event that multiple residents of AGE move to aged care facilities and require day payment support (even one resident leaving can provide financial hardship to the hospital).
- Ongoing costs of maintenance and repairs to the units in AGE currently exceed the pool of maintenance funds provided by residents. AGE residents would be at a disadvantage, because the hospital is not currently in a position to fund the shortfall.
- There will be no sinking fund for the hospital in the event that major restorations are required to the aging hospital infrastructure.
- The hospital is presently unable to fund the creation of a shared community space for the AGE residents, as required by recent legislative changes.
- While a professional manager is engaged to manage AGE, the hospital is concerned that its own lack of expertise in the running of retirement villages could result in an inadvertent breach of legislative requirements.

Closing comments

The Board of Management, having considered all available information, strongly believe that the sale of AGE would provide a more stable financial platform for the hospital in providing existing and new services to the community. Additionally, the Board of Management feel the sale will provide a more stable future for the residents of AGE.

As the Board of Management expected the sale of AGE to be mutually beneficial to both the hospital and the AGE residents, it is our recommendation that the members vote in favour of the resolution put forward in item 1.

Matters such as financial performance, strategic plan, etc. will be formally addressed as

always at the AGM to be held on the last Wednesday in October: this year being 31 October 2018. The Special Meeting is required in the meantime due to time limits attached to the offers on AGE.